

**SUBSTANCE ABUSE TREATMENT UNIT
OF CENTRAL IOWA
Marshalltown, Iowa**

**FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2013**

BOARD OF DIRECTORS

Name

Title

Sharon Soorholtz Greer
Patrick Henry
Michael Croker
Denny Grabenbauer

Chairperson
Board Member
Board Member
Board Member

MANAGEMENT

Name

Title

Jack E. Stowe

Executive Director

Independent Auditors' Report

Board of Directors
Substance Abuse Treatment Unit
of Central Iowa
Marshalltown, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Substance Abuse Treatment Unit of Central Iowa (the Agency), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa
November 19, 2013

FINANCIAL STATEMENTS

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash on hand and in bank	\$ 399,273	\$ 517,767
Certificates of deposit, short-term	304,712	319,047
Accounts receivable	119,265	75,678
Prepaid expenses	28,206	30,741
Deposits	<u>1,050</u>	<u>1,050</u>
Total current assets	<u>852,506</u>	<u>944,283</u>
 CERTIFICATES OF DEPOSIT, long-term	 <u>122,289</u>	 <u>103,571</u>
 PROPERTY AND EQUIPMENT		
Land and improvements	35,000	35,000
Building and improvements	600,449	527,616
Furniture and equipment	<u>207,331</u>	<u>185,857</u>
Total	842,780	748,473
Less accumulated depreciation	<u>(541,221)</u>	<u>(511,241)</u>
Net property and equipment	<u>301,559</u>	<u>237,232</u>
 TOTAL ASSETS	 <u><u>\$ 1,276,354</u></u>	 <u><u>\$ 1,285,086</u></u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 4,508	\$ 14,114
Accrued payroll	31,844	30,741
Accrued compensated absences	<u>10,015</u>	<u>10,281</u>
Total current liabilities	<u>46,367</u>	<u>55,136</u>
 NET ASSETS		
Unrestricted	1,227,065	1,227,028
Temporarily restricted - purpose restricted	<u>2,922</u>	<u>2,922</u>
Total net assets	<u>1,229,987</u>	<u>1,229,950</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,276,354</u>	 <u>\$ 1,285,086</u>

The accompanying notes are an integral part of the financial statements.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2013 and 2012

	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Iowa Department of Public Health:			
Prevention programs	\$ 202,284	\$ -	\$ 202,284
Medicaid	97,840	-	97,840
Non-medicaid	510,463	-	510,463
Client fees	110,353	-	110,353
Third party pay	180,044	-	180,044
Contract fees	199,724	-	199,724
Interest income	5,719	-	5,719
Donations	500	-	500
Other revenue	<u>3,051</u>	<u>-</u>	<u>3,051</u>
Total public support and revenue	<u>1,309,978</u>	<u>-</u>	<u>1,309,978</u>
 EXPENSES			
Program services	1,121,858	-	1,121,858
Supporting activities:			
Management and general	<u>188,083</u>	<u>-</u>	<u>188,083</u>
Total expenses	<u>1,309,941</u>	<u>-</u>	<u>1,309,941</u>
 CHANGE IN NET ASSETS	 37	 -	 37
 NET ASSETS, BEGINNING OF YEAR	 <u>1,227,028</u>	 <u>2,922</u>	 <u>1,229,950</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,227,065</u>	 <u>\$ 2,922</u>	 <u>\$ 1,229,987</u>

2012		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 181,521	\$ -	\$ 181,521
98,155	-	98,155
528,110	-	528,110
127,508	-	127,508
165,814	-	165,814
225,933	-	225,933
3,847	-	3,847
9,245	-	9,245
927	-	927
<u>1,341,060</u>	<u>-</u>	<u>1,341,060</u>
1,108,656	-	1,108,656
<u>163,566</u>	<u>-</u>	<u>163,566</u>
<u>1,272,222</u>	<u>-</u>	<u>1,272,222</u>
68,838	-	68,838
<u>1,158,190</u>	<u>2,922</u>	<u>1,161,112</u>
<u>\$ 1,227,028</u>	<u>\$ 2,922</u>	<u>\$ 1,229,950</u>

The accompanying notes are an integral part of the financial statements.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2013 and 2012

	2013		
	<u>Program Services</u>	<u>Supporting Activities, Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 667,997	\$ 101,736	\$ 769,733
Payroll taxes	52,768	8,015	60,783
Health insurance	117,799	19,521	137,320
 Total salaries and related expenses	 838,564	 129,272	 967,836
Supplies	67,212	7,436	74,648
Communications	46,522	8,830	55,352
Rent	21,710	-	21,710
Space costs	26,925	5,922	32,847
Travel	10,268	1,155	11,423
Professional fees	5,350	5,350	10,700
Insurance	12,319	3,639	15,958
Employment advertising and promotion	10,335	20	10,355
Contracted services	61,538	425	61,963
Dues and subscriptions	175	11,044	11,219
Registrations and training	4,439	-	4,439
Miscellaneous expense	1,511	-	1,511
 Total expenses before depreciation	 1,106,868	 173,093	 1,279,961
Depreciation	14,990	14,990	29,980
 TOTAL EXPENSES	 <u>\$ 1,121,858</u>	 <u>\$ 188,083</u>	 <u>\$ 1,309,941</u>

2012		
<u>Program Services</u>	<u>Supporting Activities, Management and General</u>	<u>Total Expenses</u>
\$ 658,413	\$ 94,534	\$ 752,947
56,394	8,072	64,466
<u>118,254</u>	<u>18,317</u>	<u>136,571</u>
833,061	120,923	953,984
68,201	4,666	72,867
35,104	2,308	37,412
21,480	-	21,480
23,438	4,677	28,115
10,898	1,558	12,456
-	9,925	9,925
5,307	2,988	8,295
12,054	30	12,084
80,781	160	80,941
175	3,150	3,325
3,029	30	3,059
<u>1,506</u>	<u>30</u>	<u>1,536</u>
1,095,034	150,445	1,245,479
<u>13,622</u>	<u>13,121</u>	<u>26,743</u>
<u>\$ 1,108,656</u>	<u>\$ 163,566</u>	<u>\$ 1,272,222</u>

The accompanying notes are an integral part of the financial statements.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37	\$ 68,838
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,980	26,743
Noncash interest income	(4,383)	(2,466)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(43,587)	8,075
Prepaid expenses	2,535	(15,463)
Accounts payable	(9,606)	4,170
Accrued payroll	1,103	(2,094)
Accrued compensated absences	<u>(266)</u>	<u>(370)</u>
Net cash provided by (used in) operating activities	(24,187)	87,433
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(94,307)</u>	<u>(7,809)</u>
 NET INCREASE (DECREASE) IN CASH	(118,494)	79,624
 CASH, BEGINNING OF YEAR	<u>517,767</u>	<u>438,143</u>
 CASH, END OF YEAR	<u><u>\$ 399,273</u></u>	<u><u>\$ 517,767</u></u>
 SUPPLEMENTAL INFORMATION		
Non-cash interest earnings reinvested	<u><u>\$ 4,383</u></u>	<u><u>\$ 2,466</u></u>

The accompanying notes are an integral part of the financial statements.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Substance Abuse Treatment Unit of Central Iowa (the Agency) was created in 1976 as a perpetual, non-profit corporation under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the 1975 Code of Iowa. The purpose and objectives of the Agency are to increase the understanding of the nature, treatment and damage of chemical dependency and to treat and rehabilitate those dependent upon chemical substances. The Agency is primarily a fee-based provider of services. Clients pay if they are able, but a majority of the client fees are paid by third parties, such as Medicaid and insurance companies. The Agency serves the four-county area of Hardin, Marshall, Poweshiek and Tama from treatment facilities in Iowa Falls, Marshalltown, Grinnell and Toledo, respectively. The Agency's fiscal year ends on June 30. Significant accounting policies followed by the Agency are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue from client services is recognized, at estimated net collectable amounts, in the period the services are performed. A substantial portion of such revenue will not be collectable and the adjustment between standardized and collectable rates is treated as an adjustment to net fee revenue.

Revenue from grants and contracts is recognized as the services are performed if the contract is based on units of service or as costs are incurred if the contract is a cost reimbursement arrangement.

The carrying amount of accounts receivable is reduced to reflect management's best estimate of amounts that will ultimately be collected. Revenue is reduced for accounts or portions thereof deemed to be uncollectible.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Property and Equipment

The Agency's building and improvements are being depreciated on the straight-line method over its estimated useful life ranging from ten to thirty years. The Agency follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$1,000 and a useful life greater than one year. Land improvements are being depreciated on the straight-line method over an estimated useful life of fifteen years. Depreciation on the Agency's furniture and equipment is computed over the estimated useful lives of the assets ranging from three to ten years, by the straight-line method of depreciation.

Impairment of Long-Lived Assets

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Compensated Absences

Agency employees accumulate vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon retirement, death or termination. The Agency has accrued a liability for compensated absences from accrued vacation at June 30, 2013 and 2012, based on rates of pay on those dates.

Advertising

The Agency expenses advertising costs as incurred.

Functional Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Agency is a private foundation.

The Agency files information returns in the U.S. federal jurisdiction. The Agency follows the accounting standards to evaluate uncertain tax positions and has determined that it was not required to record a liability related to uncertain tax positions at June 30, 2013 and 2012. The federal information returns of the Agency for the year ended June 30, 2010, and thereafter, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

Brokered Certificate of Deposit

Brokered certificates of deposit are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type. The Agency's brokered certificate of deposit is valued using Level 2 inputs as of June 30, 2013 and 2012. The fair value of the brokered certificate of deposit as of June 30, 2013 and 2012 is \$99,603 and \$99,582, respectively.

NOTE 3 - RETIREMENT PLAN

The Agency maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers employees who meet certain eligibility requirements. The Agency is not required to contribute into the plan, but instead will pay employees a specified percentage of their wage for them to put into their 403(b) account or to use in any other way they choose.

NOTE 4 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage during the past three fiscal years.

NOTE 5 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash

The Agency maintains cash in a bank that exceeds the maximum amount insured by the Federal Deposit Insurance Corporation. Total cash held by the bank was \$524,408 at June 30, 2013. Management believes the credit risk related to the uninsured balance is minimal.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS (CONTINUED)

Support and Revenue

The Agency is subject to a certain degree of vulnerability due to concentrations of revenue from major funding agencies. Revenue from these funding agencies represented the following percentages of total support and revenue for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Iowa Department of Public Health	15%	14%
MBC of Iowa - Non-Medicaid	39%	40%

Accounts receivable includes \$16,505 and \$29,867 due from the Iowa Department of Public Health as of June 30, 2013 and 2012, respectively.

NOTE 6 - COMMITMENT

During the year ended June 30, 2013, the Agency entered into a contract to purchase an accounting system. The remaining commitment under this contract totals \$7,723 at June 30, 2013.

NOTE 7 - SUBSEQUENT EVENTS

In July 2013, the Agency entered into an agreement with a vendor to purchase and implement a software system. Total amounts expected to be paid under this agreement are \$150,490.

Management evaluated subsequent events through November 19, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to November 19, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF REVENUE AND EXPENSES -
I.D.P.H. CONTRACTS
Year Ended June 30, 2013

	Comprehensive Prevention <u>588-2-CP18</u>	Youth Development Prevention <u>588-2-YM66</u>	Smoking Cessation <u>588-2-TS28</u>	Access To Recovery
Revenue				
Iowa Department of Public Health	\$ 106,245	\$ 51,720	\$ 32,204	\$ 12,115
Expenses				
Salaries	61,018	29,586	16,312	3,507
Personnel benefits	14,116	5,924	8,049	549
Supplies	5,212	1,723	1,522	6,843
Telephone	562	270	269	-
Occupancy costs	691	253	296	-
Travel	1,129	251	101	-
Insurance	759	631	426	-
Contracted services	-	8,000	495	-
Registrations and training	642	444	295	-
Total expenses	84,129	47,082	27,765	10,899
Excess of revenue over expenses	22,116	4,638	4,439	1,216
Indirect expense allocation	14,104	7,893	4,655	1,827
Net	\$ 8,012	\$ (3,255)	\$ (216)	\$ (611)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Substance Abuse Treatment Unit
of Central Iowa
Marshalltown, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Substance Abuse Treatment Unit of Central Iowa (the Agency), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as II-A-2013 and II-B-2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Agency's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 19, 2013

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not
considered to be material weaknesses? X Yes _____ None
Reported

Noncompliance material to financial statements noted? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES:

II-A-2013: Segregation of Duties

Criteria:

The Agency should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The Agency does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The Agency has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's and the board of directors' close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the Agency review its operating procedures to obtain the maximum internal control possible under the circumstances.

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SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

II-A -2013: Segregation of Duties (continued)

Response:

The Agency is currently implementing a new accounting system. As a part of this implementation it is the goal of the Agency to adequately segregate the various accounting duties.

II-B-2013: Audit Adjustments

Criteria:

The Board of Directors and management share the ultimate responsibility for the accuracy and reliability of the Agency's trial balance.

Condition:

Adjusting journal entries were made by the auditors as a part of the audit process.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the Agency's internal control system.

Effect:

As a result of this condition, there is a higher risk that financial statement misstatements could occur and not be detected.

Cause:

The Agency has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation:

We recommend that the trial balance be reviewed, prior to submission to the auditor, by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the Agency's activities and operations.

Response:

We were aware that the adjustments needed to be made and, as we have done every year, we provided schedules to the auditor to support these entries. In the future we will post these entries prior to providing the auditor with a trial balance.

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INSTANCES OF NON-COMPLIANCE:

No reportable matters were noted.

SECTION III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

No reportable matters were noted.